Lincoln University
A Component Unit of the State of Missouri

Accountants' Reports and Financial Statements

June 30, 2009 and 2008

Lincoln University
A Component Unit of the State of Missouri
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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Curators
Lincoln University
Jefferson City, Missouri

We have audited the accompanying basic financial statements of Lincoln University and its discretely presented component unit, collectively a component unit of the State of Missouri, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Lincoln University Foundation, Inc., a legally separate, discretely presented tax-exempt component unit of the University, which statements reflect total assets of $4,781,349 and $5,873,876 as of June 30, 2009 and 2008, respectively, and total revenues of $(203,727) and $847,449, respectively, for the years then ended. Those statements were audited by other accountants whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for Lincoln University Foundation, Inc. are based solely on the report of the other accountants.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Lincoln University Foundation, Inc., which comprises the financial statements of the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other accountants, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln University and of its discretely presented component unit as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note 7*, the University changed its method of accounting for other postemployment benefit obligations and adopted the provisions of GASB Statement No. 45 in 2008.

In accordance with *Government Auditing Standards*, we have issued our report dated November 4, 2009, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and other postemployment benefit information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

November 4, 2009

Lincoln University
A Component Unit of the State of Missouri
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

The objective of management's discussion and analysis is to help readers of Lincoln University's financial statements better understand the financial position and operating activities for the years ended June 30, 2009 and 2008, with selected comparative information for the year ended June 30, 2007. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes to the financial statements.

Lincoln University

Lincoln University is an academic institution that is part of the Missouri state system of higher education. Founded in 1866 through the cooperative efforts of the enlisted men and officers of the 62nd and 65th Colored Infantries, Lincoln University was designed to meet the educational and social needs of freed African-Americans. While remaining committed to this purpose, the University has expanded its historical mission to embrace the needs of a significantly broader higher education population. Our current mission statement further delineates the University's character and historical nature:

Lincoln University is a historically black, 1890 land-grant, public, comprehensive institution that provides excellent educational opportunities including theoretical and applied learning experiences to a diverse population within a nurturing, student-centered environment.

Academic Programs

The academic programs of the University are organized under four Colleges: the College of Arts and Letters, the College of Professional Studies, the College of Behavioral and Technological Sciences and the College of Agricultural and Natural Sciences. Lincoln University offers nine undergraduate degrees: Bachelor of Arts (B.A.), Bachelor of Liberal Studies (B.L.S.), Bachelor of Music Education (B.M.E.), Bachelor of Science (B.S.), Bachelor of Science in Education (B.S.Ed.), Bachelor of Science in Nursing (B.S.N.), Associate of Arts (A.A.), Associate of Applied Science (A.A.S.) and Associate of Science (A.S.).

The Office of Graduate Studies coordinates all graduate programs. The University offers four graduate degrees: Master of Arts (M.A.) with majors in history, social science, sociology and sociology/criminal justice; Master of Education (M.Ed.) with majors in school administration and supervision, school teaching and counselor education; Master of Business Administration (M.B.A.) with an emphasis in management, accounting, entrepreneurship and public administration/policy and the Specialist Degree in Education: Leadership (Ed.S.) with an emphasis in leadership.

Using the Annual Financial Report

The University's financial statements consist of a series of financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). A summary of significant accounting policies followed by the University is included in *Note 1* to the financial statements of this report.

The Statement of Net Assets - This statement presents information on all University assets and liabilities. Assets and liabilities are generally measured using current values. One notable exception is the capital assets, which are stated at historical cost less an allowance for depreciation.

Statement of Revenues, Expenses and Changes in Net Assets - This statement presents a summary of revenues and expenses classified as either operating or nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The operating deficit, which is reflected results from the classification of state appropriations as nonoperating revenue. Also, this statement reflects a change in the University's net assets based upon revenues in excess of expenses.

Statement of Cash Flows - This statement classifies cash inflows and outflows into the following classifications: operating activities, noncapital financing activities, capital and related financing activities and investing activities. This information is useful in assessing the University's ability to meet maturing financial obligations.

Statement of Net Assets

A summarized comparison of the University's assets, liabilities and net assets at June 30, 2009, 2008 and 2007, is as follows:

Net Assets, End of Year

	2009	2008	2007
		(In Millions)	
Assets			
Current assets	$ 11.3	$ 13.3	$ 11.8
Capital assets, net	89.6	83.7	70.6
Other noncurrent assets	7.8	11.4	3.3
Total assets	$ 108.7	$ 108.4	$ 85.7
Liabilities			
Current liabilities	$ 5.5	$ 7.8	$ 4.5
Noncurrent liabilities	29.0	30.0	9.5
Total liabilities	$ 34.5	$ 37.8	$ 14.0

Net Assets, End of Year

	2009	2008	2007
		(In Millions)	
Net Assets			
Invested in capital assets, net of related debt	$ 61.4	$ 56.4	$ 60.8
Restricted – nonexpendable	0.1	0.1	0.1
Restricted – expendable	2.7	7.5	1.8
Unrestricted	10.0	6.6	9.0
Total net assets	$ 74.2	$ 70.6	$ 71.7

In fiscal year 2009, there was an increase in total net assets of $3.6 million. This increase resulted from a decrease in total liabilities of $3.3 million and an increase in total assets of $0.3 million. These changes are the result of the completion of the construction projects funded by the 2007 series revenue bonds.

In fiscal year 2008, the University issued revenue bonds in the amount of $21 million. Of these funds, $15 million was used to construct a new 224 bed residential facility. The remaining funds were used to renovate two existing residential facilities.

At June 30, 2009, total University assets were $108.7 compared to $108.4 million in 2008. The University's largest asset is its investment in capital assets of $61.4 and $56.4 million (net of depreciation and related debt), respectively.

In fiscal year 2009, the University's current assets of $11.3 million were sufficient to cover current liabilities of $5.5 million. The current ratio in 2009 is 2.05 compared to the current ratio in 2008 of 1.7.

The University's liabilities totaled $34.5 million at June 30, 2009, and $37.8 million at June 30, 2008. Noncurrent liabilities of $29.0 million in 2009 and $30.0 million in 2008 both consisted primarily of bonds payable.

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents the University's results of financial activity for the year.

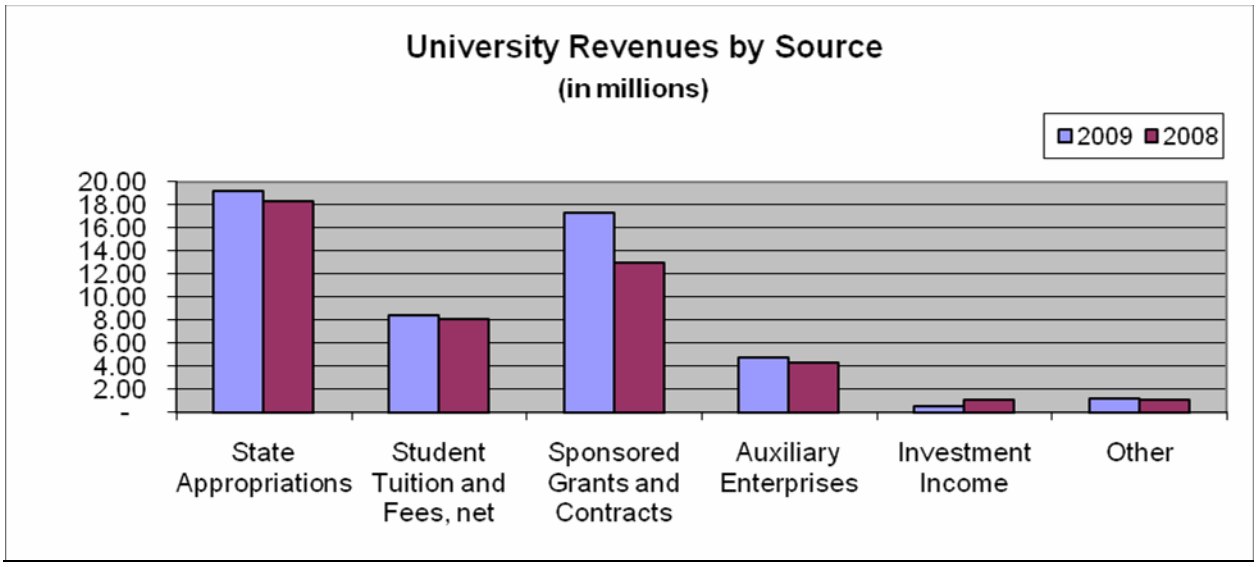
A summarized comparison of the University's revenues, expenses and changes in net assets for the years ended June 30, 2009, 2008 and 2007, is as follows:

	2009	2008	2007
	(In Millions)		
Operating revenues	$ 15.1	$ 14.0	$ 11.8
Operating expenses	49.6	46.8	41.9
Operating loss	(34.5)	(32.8)	(30.1)
Nonoperating revenues, net	35.0	31.0	29.3
Income (loss) before other revenues, expenses, gains or losses	0.5	(1.8)	(0.8)
Other revenues	3.1	0.4	2.8
Impairment gain on tornado, net of insurance recovery	0.0	0.2	0.3
Impairment gain on fire damage, net of insurance recovery	0.0	0.1	0.4
Increase in net assets	3.6	(1.1)	2.7
Net assets, beginning of year	70.6	71.7	69.0
Net assets, end of year	$ 74.2	$ 70.6	$ 71.7

The total operating loss for fiscal year 2009 was $34.5 million, which was offset by nonoperating revenues of $35.0 million. The largest component of nonoperating revenues continues to be state appropriations and certain government grants. Although, these revenues support operating expenses, Governmental Accounting Standards Board (GASB) mandates that these revenues be recorded as nonoperating revenues.

Revenues (Operating and Nonoperating)

The following graph displays the components of the University's revenues for fiscal years 2009 and 2008:



As stated above, the largest component of revenues was state appropriations, accounting for 37% of the University's revenues. Although the University received an increase in its appropriation of about 4.9% in comparison to 2008, the University continues to face significant financial pressure with increasing compensation and benefit costs and volatile technology and energy prices. In addition to the base amount in 2008, the University received an appropriation of $0.9 million specifically for land grant institutions to assist in the matching requirements outlined by the U.S. Department of Agriculture. In 2009, this appropriation was rolled into the base appropriation amount.

Student tuition and fees revenue of $8.5 million is stated net of $6.6 million and $0.1 million in scholarship allowances and bad debt, respectively.

The following table represents the details of the University's grants and contracts revenue for the year ended June 30, 2009:

	2009
Federal sources	
Department of Agriculture	$ 5,707,834
Department of Education (excluding financial aid)	3,514,663
Department of Defense	2,670,128
Department of Transportation	322,642
Department of Interior	144,109
Department of International Development	124,256
Department of Health and Human Services	86,264
Department of Energy	4,847
National Science Foundation	3,964
Department of State	2,614
Total federal sources	12,581,321
Nonfederal sources	
State, local and private	1,091,245
Total nonfederal sources	1,091,245
Total all sources	$ 13,672,566

Operating Revenues

The following table summarizes the University's operating revenues by source for the years ended June 30, 2009, 2008 and 2007:

Operating Revenues

	2009	2008	2007
	(In Millions)		
Tuition and fees, net	$ 8.5	$ 8.1	$ 7.1
Grants and contracts	1.8	1.5	0.8
Recovery of facilities and administrative costs	0.4	0.4	0.3
Sales and services of educational activities	0.1	0.1	0.1
Auxiliary enterprises, net	4.1	3.6	3.2
Other	0.2	0.3	0.3
Total operating revenues	$ 15.1	$ 14.0	$ 11.8

In 2009, tuition and fees revenue, net of scholarship allowances and bad debt expenses, increased by 4.9% mainly due to the 3.3% tuition rate increase.

In fiscal year 2008, the University increased tuition by 18.9% leading to an overall increase of 14.0% in tuition and fees, net of scholarship allowances and bad debt expenses.

Operating Expenses

The following table summarizes the University's operating expenses for the years ended June 30, 2009, 2008 and 2007:

Operating Expenses

	2009	2008	2007
	(In Millions)		
Compensation and benefits	$ 30.5	$ 28.8	$ 25.9
Contractual services	6.5	6.0	5.1
Supplies and materials	2.3	2.1	1.9
Depreciation and amortization	5.0	4.7	4.5
Utilities/communications	1.8	1.7	1.6
Scholarships and fellowships	0.4	0.4	0.4
Other	3.1	3.1	2.5
	$ 49.6	$ 46.8	$ 41.9

Operating expenses, including depreciation of $5.0 million, totaled $49.6 million. In 2009, the University experienced an increase in employee health insurance premiums. Employees also received a cost of living increase in 2009. These factors contributed to the increase of 5.9% in compensation and benefits. In fiscal year 2009, contractual services went up $0.5 million from fiscal year 2008 due to new programs facilitated by extension services, maintenance on new technology enhancements and expenses related to research projects.

In 2008, the University implemented phase two of the comprehensive salary upgrade plan. This, along with an increase in benefit costs, contributed to the 11.2% increase in compensation and benefits. In fiscal year 2008, contractual services went up $0.9 million from fiscal year 2007 due to increased expenditures related to research grants.

In addition to their natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the University's expenses by functional classification for the years ended June 30, 2009, 2008 and 2007, is as follows:

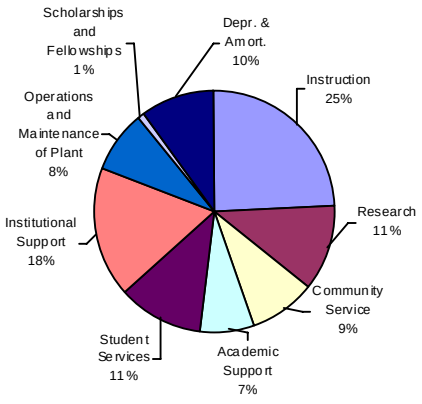
Expenses by Functional Category

	2009	2008	2007
		(In Millions)	
Instruction	$ 12.1	$ 11.8	$ 11.3
Research	5.7	5.3	4.0
Community service	4.3	3.6	3.2
Academic support	3.5	3.2	2.9
Student services	5.7	5.5	4.8
Institutional support	8.8	8.5	7.5
Operations and maintenance of plant	4.1	3.8	3.3
Scholarships and fellowships	0.4	0.4	0.4
Depreciation and amortization	5.0	4.7	4.5
	$ 49.6	$ 46.8	$ 41.9

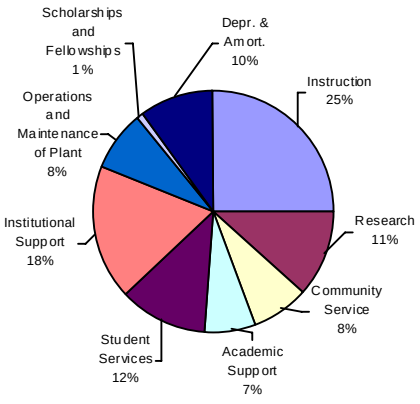
The University's total operating expenses directly support the primary mission of the University: Instruction, Research and Community Service. In 2009, Community Service and Research expenses increased by $0.7 million and $0.4 million, respectively. This is a result of new research projects and extension services. The increase in compensation and benefits of $1.7 million spread over the functional categories also contributed to the overall increase in expenses of $2.8 million in fiscal year 2009.

The following graphic illustrations present total expenses by function:

2009 Functional Expenses



2008 Functional Expenses



Nonoperating Revenues and Expenses

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2009, 2008 and 2007:

Nonoperating Revenues and Expenses

	2009	2008	2007
		(In Millions)	
State appropriations	$ 19.2	$ 18.3	$ 16.7
Federal grants and contracts	14.4	10.5	10.3
State grants and contracts	0.7	0.6	0.7
Interest on indebtedness	(1.3)	(1.0)	(0.4)
Investment income	0.5	1.1	0.7
Other	1.5	1.5	1.3
Total nonoperating revenues and expenses	$ 35.0	$ 31.0	$ 29.3

The largest component of the University's nonoperating revenues continues to be state appropriations which increased by 4.9% in 2009. This includes an appropriation of $0.9 million to partially address the 1890 Land-Grant federal matching requirement. In 2009, federal grants and contracts increased by $3.9 million due to an increase in expenditures related to renovations of facilities and research projects.

State appropriations increased by 9.6% in 2008. Investment income rose by $0.4 million during 2008 as a result of various investment strategies and interest earned on funds related to the 2007 revenue bonds.

Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due and needs for external financing.

The following table summarizes the University's cash flows for the years ended June 30, 2009, 2008 and 2007:

Cash Flows

	2009	2008	2007
		(In Millions)	
Cash Provided by (Used in)			
Operating activities	$ (29.7)	$ (27.4)	$ (26.1)
Noncapital financing activities	34.6	28.8	28.5
Capital and related financing activities	(11.6)	5.2	(4.4)
Investing activities	1.4	0.5	2.8
Net Increase (Decrease) in Cash and Cash Equivalents	(5.3)	7.1	0.8
Cash and Cash Equivalents, Beginning of the Year	9.9	2.8	2.0
Cash and Cash Equivalents, End of the Year	$ 4.6	$ 9.9	$ 2.8

In fiscal year 2009, cash and cash equivalents decreased by $5.3 million compared to 2008. This decrease is mainly due to the fact that in 2009, there were no bond proceeds from the 2007 series revenue bonds. The 2007 series revenue bonds received in 2008 were used to complete the construction of the new residence hall.

Nearly $29.7 million of cash was used for operating activities, offset by $34.6 million of cash provided by noncapital financing activities. Noncapital financing activities, as defined by GASB, include state appropriations and gifts received for other than capital purposes that are used to support operating activities.

During fiscal year 2009, cash used for operating activities increased by $2.3 million, due in part to the increase in employee compensation and an increase in health insurance premiums. The noncapital financing activities increased in 2009 mainly due to an increase in revenues from grant and contracts.

The change of $16.8 million in capital and related financing activities is attributable to the fact that in 2008, the University received net bond proceeds of $20 million for the construction of the new residence hall. The decrease in bond proceeds was offset by an increase in capital appropriations to renovate Jason Hall as well as an increase in capital assets.

Cash provided by investing activities in fiscal year 2009 was $1.4 million compared to $0.5 million in 2008. The University employs an aggressive investment strategy to maximize investment opportunities. However, as interest rates declined in 2009 and existing investments matured, there were less opportunities to purchase additional investments that would provide considerable returns. The University's investment options are limited to bonds of the state of Missouri or any wholly owned corporation of the United States, other short-term obligations of the United States Treasury and federal agencies and bank repurchase agreements collateralized by those obligations.

The University's cash and cash equivalents increased by $7.1 million, from $2.8 million in 2007 to $9.9 million in 2008. The increase of $1.3 million in cash used for operating activities was primarily due to the salary adjustments for faculty and staff during fiscal year 2008.

Cash of $5.2 million was provided by capital and related financing activities in 2008. The proceeds from the 2007 revenue bonds netted against the related expense and increased purchases of capital assets as well as costs associated with the issuance of the 2007 revenue bonds led to the change in 2008.

The University's cash provided by investing activities totaled $0.5 million in 2008, compared to $2.8 million in 2007. This decrease in cash provided by investing is the result of increased purchases of investments, less investment maturities and poor economic conditions negatively affecting interest rates.

Capital Assets

At June 30, 2009, the University had approximately $89.6 million invested in capital assets, net of accumulated depreciation of approximately $63.0 million. At June 30, 2008, the University had approximately $83.7 million invested in capital assets, net of accumulated depreciation of approximately $58.8 million.

Depreciation charges for the current year totaled approximately $5.0 million. The following table summarizes the University's capital assets, net of accumulated depreciation, as of June 30, 2009, 2008 and 2007.

Capital Assets, Net

	2009	2008	2007
	(In Millions)		
Land and land improvements	$ 5.0	$ 4.3	$ 4.1
Buildings	74.8	54.9	56.3
Furniture, fixtures and equipment	6.3	5.1	4.9
Infrastructure	2.1	2.4	2.0
Library materials	0.1	0.1	0.1
Construction in progress	1.3	16.9	3.2
Total capital assets, net	$ 89.6	$ 83.7	$ 70.6

Major construction projects that began in FY2008, but were completed in FY2009 include the construction of the new residence hall ($15 million) and the second phase renovation of Anthony Hall ($3 million), Richardson Auditorium Seating Replacement project ($508,950), Founders Hall cooling tower replacement ($126,500), Founders Hall roof repair/replacement ($127,777), the rehabilitation of the President's Residence Phase I project ($284,936), the construction of additional aquaculture ponds at Carver Farm ($113,527) and the Master Plan design for an Integrated Farming Systems Micro-Community project ($180,000).

Several projects that began and were completed during FY2009 include, but are not limited to, waterproofing and storm drainage at Allen Hall ($70,900), assisting to cover one-half the cost with the City of Jefferson for the Locust Street Widening project ($89,633), replacement of the gasoline tank at Shipping and Receiving ($72,000), repairs to the Scruggs University Center cafeteria elevator ($40,000), Dickinson Research Center roof replacement ($101,755), Carver Farm Multi-Purpose Facility roof replacement ($158,000), Foster Hall roof replacement ($74,000), Allen Hall roof replacement ($58,000), and Damel Hall room 110 renovation ($106,000).

Other projects that began or continued through FY2009 and will be complete in FY2010 include Jason Hall Phase II renovation ($2.9 million), the construction of a new Extension Facility in Kansas City, MO, ($1.1 million), the construction of the Historic District Route ($681,545), Founders Hall lecture classrooms renovation project ($405,000), Allen Hall and Foster Hall HVAC renovation ($659,825) and Dawson Hall security/fire door installation ($57,000). Funding for these projects was provided by the Lewis and Clark Discovery Initiative MOHELA funds, 1890 Facilities grant funds, MODOT/local match funds, Title III funds, research/extension funds and local funds.

Bonds and Capital Leases

As of June 30, 2009, the University had approximately $29.0 million in outstanding revenue bonds, a decrease of $0.9 million in 2009 compared to an increase of $20.5 million in 2008. The increase in 2008 was due to the issuance of the 2007 series revenue bonds of $21.0 million offset by a decrease of $0.5 million on the 2005 revenue bonds.

Bonds and Capital Lease Debt

	2009	2008	2007
	(In Millions)		
Revenue bonds	$ 29.0	$ 29.9	$ 9.4

Student Enrollment

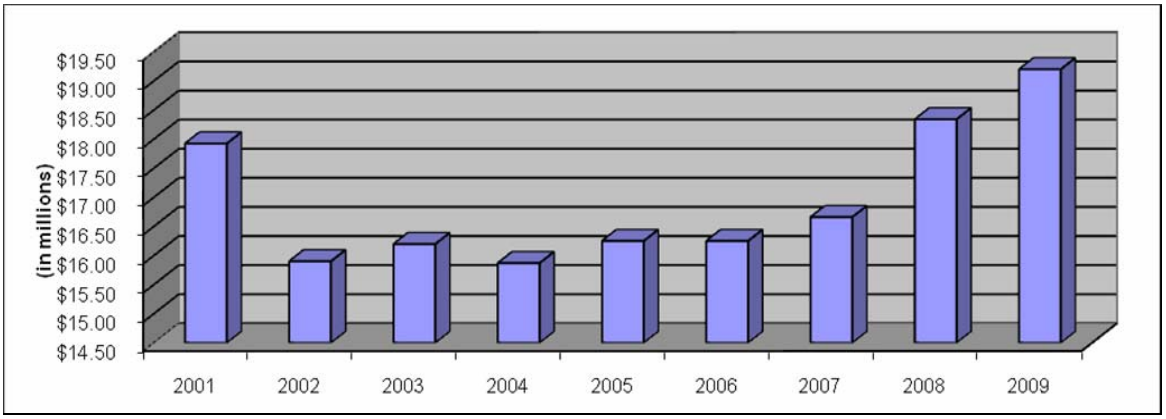
Following are highlights of student demographics for the fall 2008, 2007 and 2006 semesters of fiscal years 2009, 2008 and 2007, respectively.

	2009	2008	2007
Undergraduate	2,941	2,952	2,927
Graduate	168	204	297
Total students	3,109	3,156	3,224
Full-time	2,020	2,069	2,039
Part-time	1,089	1,087	1,185
Male	1,225	1,241	1,263
Female	1,884	1,915	1,961
Credit hours generated	33,392	33,971	34,189
Student full-time equivalent	2,244	2,285	2,304
Resident	771	763	757
Commuter	2,338	2,393	2,467
Total students	3,109	3,156	3,224
In-state	2,620	2,655	2,725
Out-state	373	392	319
International	116	109	180
Total students	3,109	3,156	3,224
Total number of degrees awarded	432	393	454
Number of students in dual – credit courses	440	427	439
Associate degree program	9	9	9
Undergraduate degree programs	49	49	49
Graduate degree programs	10	10	10
	68	68	68

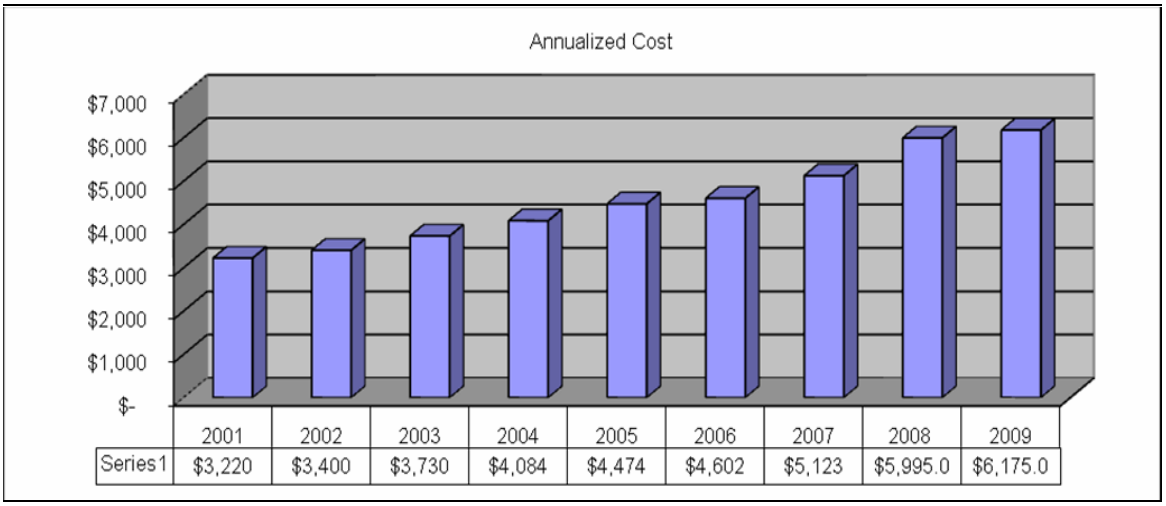
A review of the University's enrollment trend for the fall of fiscal year 2009 and fall of fiscal year 2008 shows a slight decrease in enrollment. However, the University did show an increase in the number of degrees awarded.

Trends

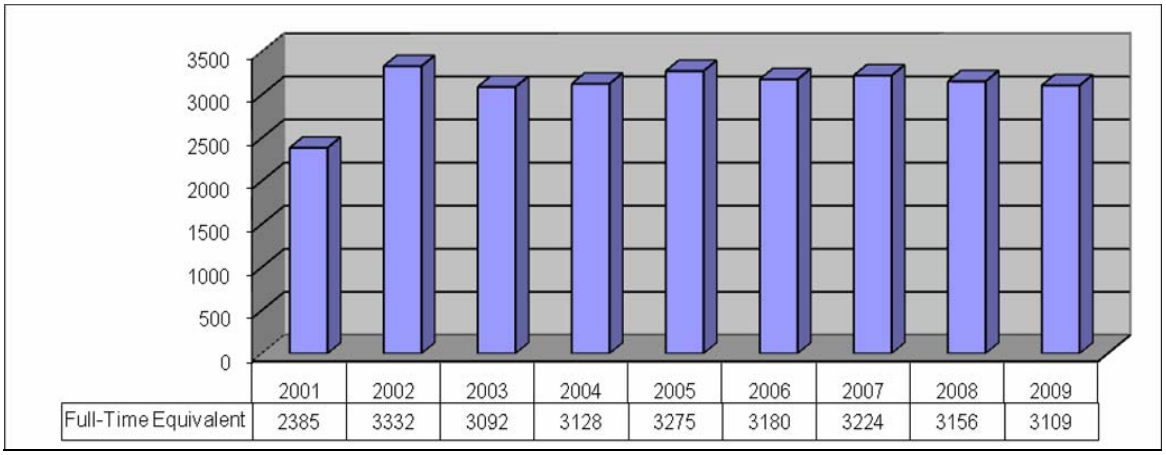
State Appropriations by Fiscal Year



Full-Time Resident Tuition and Required Fees per Year



Student Enrollment for Fall Semesters by Fiscal Year



Fiscal Year 2010 Outlook

General Fund Operating Budget

The Lincoln University Board of Curators approved a $38.0 million general fund operating budget for fiscal year 2010. The largest component of the budget continues to be funded by state appropriations at approximately 52% of the budget. The 2010 state appropriation of $19.97 million represents a 4% increase from the prior year. This increase includes the appropriation received to support the 1890 Land-Grant Federal matching requirement as well as funding entitled Caring for Missourians.

Capital Projects

Upcoming projects identified for design during fiscal year 2010 include classroom renovation work to the two large lecture tiered classrooms in Martin Luther King Hall, a new aquaculture facility to be constructed on Carver Farm, a new surge-tech nursing lab in Elliff Hall, and the second phase renovation to the South Campus Building. Projects will be funded by Title III and extension/research funds.

Technology Enhancements

During fiscal year 2009 renovations began on three Founders Hall lecture classrooms. Included in this renovation is the addition of new multi-media technology. There are also upgrades of multi-media technology in two classrooms in Jason Hall.

Other Significant Factors

The Department of Nursing Science applied for National League of Nursing reaccredidation of the BSN Completion Program and the AAS Program in fall 2008 culminating with the onsite visit in fall 2009. The Department of Business and Economics is scheduled to submit written documentation in fall 2009 in anticipation of an onsite visit in 2010-2011.

Lincoln University
A Component Unit of the State of Missouri
Statements of Net Assets
June 30, 2009 and 2008

Assets

	2009	2008
Current Assets		
Cash and cash equivalents	$ 1,493,681	$ 1,854,982
Short-term investments	5,726,624	8,131,330
Accounts receivable, net of allowance; 2009 – $339,392, 2008 – $323,206	776,173	547,177
Federal and state grants receivable	3,283,505	2,489,552
Other	43,330	246,070
Total current assets	11,323,313	13,269,111
Noncurrent Assets		
Restricted cash and cash equivalents	3,096,439	8,051,379
Long-term investments	1,853,002	-
Endowment investments	1,128,475	1,428,591
Prepaid and other assets, net	1,771,187	1,875,856
Capital assets, net	89,573,570	83,736,739
Total noncurrent assets	97,422,673	95,092,565
Total assets	$ 108,745,986	$ 108,361,676

See Notes to Financial Statements

Liabilities and Net Assets

	2009	2008
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,953,301	$ 5,006,177
Accrued compensated absences	610,594	457,950
Postemployment benefit obligation	79,300	82,158
Deferred revenue	896,616	1,329,989
Current portion of long-term debt	950,000	915,000
Total current liabilities	5,489,811	7,791,274
Noncurrent Liabilities		
Deposits held in custody for others	146,688	102,756
Accrued compensated absences	809,391	835,056
Postemployment benefit obligation	61,041	84,842
Long-term debt	28,011,253	28,968,427
Total noncurrent liabilities	29,028,373	29,991,081
Total liabilities	34,518,184	37,782,355
Net Assets		
Invested in capital assets, net of related debt	61,411,539	56,396,384
Restricted nonexpendable	56,352	56,352
Restricted expendable for		
Research	338,068	304,226
Retirement of indebtedness	203,960	163,382
Capital assets	586,702	5,591,501
Term endowment	1,254,155	1,209,595
Other	343,382	240,913
Unrestricted	10,033,644	6,616,968
Total net assets	$ 74,227,802	$ 70,579,321

Lincoln University Foundation, Inc.

Statements of Financial Position

June 30, 2009 and 2008

Assets

	2009	2008
Cash and cash equivalents	$ 1,016,207	$ 1,149,075
Student loans/advances	300	7,129
Unconditional promises to give	35,370	71,270
Long-term investments	3,729,472	4,646,402
Total assets	$ 4,781,349	$ 5,873,876

Liabilities and Net Assets

Liabilities		
Accounts payable	$ -	$ 1,440
Note payable	404,177	552,063
Total liabilities	404,177	553,503
Net Assets		
Unrestricted	(538,279)	(461,342)
Temporarily restricted	1,588,227	2,339,070
Permanently restricted	3,327,224	3,442,645
Total net assets	4,377,172	5,320,373
Total liabilities and net assets	$ 4,781,349	$ 5,873,876

Lincoln University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008

	2009	2008
Operating Revenues		
Tuition and fees (net of scholarship allowances of $6,621,142 – 2009 and $6,326,577 – 2008 and bad debt expense of $132,975 – 2009 and $129,428 – 2008)	$ 8,486,542	$ 8,110,072
Federal grants and contracts	1,767,087	1,553,751
State grants and contracts	66,240	63,000
Recovery of facility and administrative costs	389,025	381,514
Sales and services of educational activities	49,759	53,045
Auxiliary enterprises (net of scholarship allowances of $170,603 – 2009 and $152,624 – 2008 and bad debt expense of $33,150 – 2009 and $31,608 – 2008)	4,089,346	3,559,888
Other	250,300	334,134
Total operating revenues	15,098,299	14,055,404
Operating Expenses		
Compensation and benefits	30,530,004	28,783,453
Contractual services	6,460,706	6,014,859
Travel	1,417,452	1,310,725
Supplies and materials	2,266,756	2,056,534
Scholarships and fellowships	393,652	406,373
Depreciation and amortization	5,000,709	4,740,185
Communications	170,817	171,926
Utilities	1,601,204	1,539,186
Other	1,712,888	1,788,654
Total operating expenses	49,554,188	46,811,895
Operating Loss	(34,455,889)	(32,756,491)
Nonoperating Revenues (Expenses)		
State appropriations	19,187,388	18,337,659
Federal grants and contracts	14,390,748	10,487,356
State and local grants and contracts	666,502	568,486
Contributions	34,850	8,067
Student fees for capital projects	721,631	731,126
Loss on disposal of capital assets	(27,982)	(7,296)
Investment income	528,960	1,106,380
Interest on capital asset-related debt	(1,332,568)	(960,319)
Other nonoperating revenues	852,641	691,193
Net nonoperating revenues	35,022,170	30,962,652

Lincoln University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008

	2009	2008
Gain (Loss) Before Other Revenues, Expenses, Gains or Losses	$ 566,281	$ (1,793,839)
Capital Appropriations	2,313,243	107,339
Capital Grants and Gifts	749,457	277,436
Impairment Gain on Tornado Damage, Net of Insurance Recovery	19,500	157,746
Gain on Fire Damage, Net of Insurance Recovery	-	134,919
Increase (Decrease) in Net Assets	3,648,481	(1,116,399)
Net Assets, Beginning of Year	70,579,321	71,695,720
Net Assets, End of Year	$ 74,227,802	$ 70,579,321

Lincoln University Foundation, Inc.

Statements of Activities and Changes in Net Assets

Years Ended June 30, 2009 and 2008

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Revenues, gains, losses and reclassifications				
Contributions	$ 31,455	$ 618,666	$ 47,928	$ 698,049
Investment return	-	147,775	34,476	182,251
Net realized and unrealized gains and losses	-	(886,202)	(197,825)	(1,084,027)
Total revenues, gains and losses	31,455	(119,761)	(115,421)	(203,727)
Net assets released from restrictions	631,082	(631,082)	-	-
Total revenues, gains, losses and reclassifications	662,537	(750,843)	(115,421)	(203,727)
Expenses				
Program services				
Scholarships/awards	254,016	-	-	254,016
Direct payments	282,764	-	-	282,764
Support services				
Administrative	78,153	-	-	78,153
Fundraising	124,541	-	-	124,541
Total expenses	739,474	-	-	739,474
Change in net assets	(76,937)	(750,843)	(115,421)	(943,201)
Net Assets, Beginning of Year	(461,342)	2,339,070	3,442,645	5,320,373
Net Assets, End of Year	$ (538,279)	$ 1,588,227	$ 3,327,224	$ 4,377,172

See Notes to Financial Statements

	2008		
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ -	$ 747,388	$ 431,132	$ 1,178,520
-	162,845	77,777	240,622
-	(571,693)	-	(571,693)
-	338,540	508,909	847,449
532,430	(532,430)	-	-
532,430	(193,890)	508,909	847,449
302,851	-	-	302,851
203,505	-	-	203,505
65,562	-	-	65,562
123,993	-	-	123,993
695,911	-	-	695,911
(163,481)	(193,890)	508,909	151,538
(297,861)	2,532,960	2,933,736	5,168,835
$ (461,342)	$ 2,339,070	$ 3,442,645	$ 5,320,373

Lincoln University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Operating Activities		
Tuition and fees	$ 8,332,402	$ 8,195,345
Grants and contracts	1,833,327	1,616,751
Payments to suppliers	(14,319,667)	(13,319,888)
Payments to employees	(30,348,317)	(28,212,374)
Sales and services of auxiliary enterprises	4,043,547	3,567,504
Sales and services of educational activities	49,759	53,045
Other receipts	682,227	751,692
Net cash used in operating activities	(29,726,722)	(27,347,925)
Noncapital Financing Activities		
State appropriations	19,187,388	18,337,659
Gifts and grants for other than capital purposes	14,616,527	9,817,225
Other receipts	852,641	691,193
Net cash provided by noncapital financing activities	34,656,556	28,846,077
Capital and Related Financing Activities		
Capital grants and gifts	493,737	552,801
State appropriations for capital improvements	2,313,243	107,339
Student fees for capital projects	721,631	731,126
Purchase of capital assets	(12,975,487)	(15,277,369)
Principal paid on capital debt	(915,000)	(530,000)
Interest paid on capital debt	(1,284,479)	(825,809)
Cost of issuance	-	(886,912)
Proceeds on bond issuance	-	21,000,000
Insurance proceeds from fire and tornado	19,500	292,665
Net cash provided by (used in) capital and related financing activities	(11,626,855)	5,163,841
Investing Activities		
Investment income receipts	528,960	1,106,380
Proceeds from sales and maturities of investments	16,201,574	32,183,582
Purchases of investments	(15,349,754)	(32,831,139)
Net cash provided by investing activities	1,380,780	458,823
Increase (Decrease) in Cash and Cash Equivalents	(5,316,241)	7,120,816
Cash and Cash Equivalents, Beginning of Year	9,906,361	2,785,545
Cash and Cash Equivalents, End of Year	$ 4,590,120	$ 9,906,361

Lincoln University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Cash and cash equivalents	$ 1,493,681	$ 1,854,982
Restricted cash and cash equivalents	3,096,439	8,051,379
Total cash and cash equivalents	$ 4,590,120	$ 9,906,361
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	$ (34,455,889)	$ (32,756,491)
Depreciation and amortization	5,000,709	4,740,185
Changes in operating assets and liabilities		
Receivables, net	(292,686)	122,106
Inventories	(6,028)	1,363
Prepaid expenses	209,799	(100,843)
Accounts payable and accrued liabilities	(353,538)	248,297
Accrued compensated absences	126,979	402,015
Deposits held in custody for others	43,932	(4,557)
Net Cash Used in Operating Activities	$ (29,726,722)	$ (27,347,925)
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	$ 839,570	$ 2,996,256

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Lincoln University (the "University") is a state-assisted university with its campus located in Jefferson City, Missouri, operating under the jurisdiction of a nine-member Board of Curators that is appointed by the Governor and confirmed by the Senate of the State of Missouri. The University is a component unit of the State of Missouri. Major federally funded student financial aid programs in which the University participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study and Federal Family Education Loan. The University extends unsecured credit to students.

Basis of Accounting and Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The University first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements that were issued after November 30, 1989, unless the FASB pronouncement conflicts with or contradicts a GASB pronouncement. The University has elected not to apply FASB pronouncements issued after the applicable date.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2009 and 2008, cash equivalents consisted primarily of money market funds, repurchase agreements and certificates of deposit.

The financial institution holding the University's cash accounts is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to $250,000. The increase in federally insured limits is currently set to expire December 31, 2013.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations and mutual funds are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit and repurchase agreements are carried at cost.

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable is recorded net of estimated uncollectible amounts.

Deferred Bond Issue Costs

Bond issue costs incurred on the revenue bond issues have been deferred and are being amortized over the life of the bonds using the effective interest method. Total amortization was $53,895 for the years ended June 30, 2009 and 2008.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the University:

Land improvements	20 years
Buildings	40 years
Building improvements	27 years
Infrastructure	40 years
Furniture, fixtures and equipment	6 – 10 years
Library materials	5 years
Software	4 years

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized was:

	2009	2008
Total interest expense incurred on borrowings for project	$ 1,105,158	$ 1,015,595
Interest income from investment of proceeds of borrowings for project	140,109	551,260
Net interest cost capitalized	$ 965,049	$ 464,335
Interest capitalized	$ 1,105,158	$ 1,015,595
Interest charged to expense	1,332,568	960,319
Total interest incurred	$ 2,437,726	$ 1,975,914

Compensated Absences

University policies permit full-time employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits when earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net assets date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Deferred Revenue

Deferred revenue represents unearned student fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements.

Net Assets

Net assets of the University are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the University, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net assets are noncapital assets that are required to be maintained in perpetuity as specified by parties external to the University, such as permanent endowments. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances and (2) sales and services of auxiliary enterprises.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as nonoperating revenues and other governmental grants are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance.

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

Foundation

Lincoln University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Lincoln University (University). The Foundation acts primarily as a fundraising foundation to supplement the resources that are available to the University in support of its programs. The 20-member Board of Directors of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the years ended June 30, 2009 and 2008, the Foundation distributed $34,219 and $14,242 to the University for both restricted and unrestricted purposes, respectively. During 2009 and 2008, the University transferred $10,000 and $155,461, respectively, of endowment funds to the Foundation for management purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 820 Chestnut Street, Jefferson City, Missouri 65102.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' financial information in the University's financial reporting entity for these differences.

Reclassification

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The University's deposit policy for custodial credit risk requires compliance with the

provisions of state law which requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state of Missouri; bonds of any city having a population of not less than two thousand, county, school district or special road district of the state of Missouri; bonds of any state; a surety bond having an aggregate value at least equal to the amount of the deposits; tax anticipation notes issued by any first class county; irrevocable standby letters of credit issued by a Federal Home Loan Bank; or out-of-state municipal bonds rated in the highest category by a nationally recognized statistical rating agency.

Investments

The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, bank repurchase agreements, banker's acceptances and commercial paper.

At June 30, 2009 and 2008, the University had the following investments and maturities:

June 30, 2009

		Maturities in Years			
Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Repurchase agreements	$ 1,304,707	$ 1,304,707	$ -	$ -	$ -
Certificates of deposit	3,320,707	3,216,176	104,531	-	-
U.S. agencies obligations	6,782,062	4,004,780	2,676,841	100,441	-
	$11,407,476	$ 8,525,663	$ 2,781,372	$ 100,441	$ -

June 30, 2008

		Maturities in Years			
Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Repurchase agreements	$ 4,043,784	$ 4,043,784	$ -	$ -	$ -
Repurchase guaranteed investment contract	1,386,481	1,386,481	-	-	-
U.S. agencies obligations	12,802,482	10,844,294	1,365,900	592,288	-
	$18,232,747	$ 16,274,559	$ 1,365,900	$ 592,288	$ -

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely effect the fair value of an investment. The University's investment policy does not address interest rate risk. The repurchase agreements are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2009 and 2008, the University's investments in U.S. agencies obligations not directly guaranteed by the U.S. government were rated AAA. The investment in the repurchase guaranteed investment contract was rated A at June 30, 2008, but was downgraded on September 29, 2008. Subsequent to the downgrade, the contract was terminated and the University received principal plus interest for a total of $1,411,515.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the University's investments in repurchase agreements at June 30, 2009 and 2008, are held by the counterparties in other than the University's name. The University's investment policy does not address how securities underlying repurchase agreements are to be held.

Concentration of Credit Risk – The University places no limit on the amount that may be invested in any one issuer.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of net assets as follows:

	2009	2008
Carrying value		
Deposits	$ 1,890,745	$ 1,233,535
Investments	11,407,476	18,232,747
	$ 13,298,221	$ 19,466,282

Included in the following statements of net assets captions:

	2009	2008
Cash and cash equivalents	$ 1,493,681	$ 1,854,982
Short-term investments	5,726,624	8,131,330
Restricted cash and cash equivalents	3,096,439	8,051,379
Long-term investments	1,853,002	-
Endowment investments	1,128,475	1,428,591
	$ 13,298,221	$ 19,466,282

Investment Income

Investment income for the years ended June 30, 2009 and 2008, consisted of:

	2009	2008
Interest and dividend income	$ 459,892	$ 1,411,892
Net realized and unrealized gains (losses) on investments	69,068	(305,512)
	$ 528,960	$ 1,106,380

Note 3: Endowment Funds

The University's endowment funds are substantially composed of term endowment funds received from the U.S. Department of Education Title III program and state matching funds of $1,104,000. The grant provisions require the University to maintain the endowment corpus for 20 years. After the termination of the grant period, the University may use the endowment fund corpus plus any endowment fund income for any educational purpose. Endowment fund income is defined as the total value of the endowment fund established minus the endowment fund corpus. Each year the University is allowed to spend not more than 50% of the total aggregate endowment fund income related to the grant award.

Note 4: Capital Assets

Capital assets activity for the years ended June 30, 2009 and 2008, were:

	2009				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 2,220,620	$ 180,564	$ -	$ 2,500	$ 2,403,684
Land improvements	2,901,931	386,655	-	309,164	3,597,750
Buildings and improvements	93,816,190	6,336,933	-	16,524,889	116,678,012
Infrastructure	4,140,518	-	-	-	4,140,518
Furniture, fixtures and equipment	20,271,278	2,650,018	743,215	3,179	22,181,260
Library materials	2,277,658	25,536	13,745	-	2,289,449
Construction in progress	16,925,126	1,239,094	-	(16,839,732)	1,324,488
	142,553,321	10,818,800	756,960	-	152,615,161
Less accumulated depreciation					
Land improvements	857,322	147,996	-	-	1,005,318
Buildings and improvements	38,900,993	2,940,859	-	-	41,841,852
Infrastructure	1,714,097	361,487	-	-	2,075,584
Furniture, fixtures and equipment	15,138,298	1,477,882	715,234	-	15,900,946
Library materials	2,205,872	25,764	13,745	-	2,217,891
	58,816,582	4,953,988	728,979	-	63,041,591
Net capital assets	$ 83,736,739	$ 5,864,812	$ 27,981	$ -	$ 89,573,570

Lincoln University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2009 and 2008

	2008				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 1,951,450	$ 269,170	$ -	$ -	$ 2,220,620
Land improvements	2,901,931	-	-	-	2,901,931
Buildings and improvements	92,406,386	621,930	-	787,874	93,816,190
Infrastructure	3,406,677	97,882	-	635,959	4,140,518
Furniture, fixtures and equipment	19,288,281	1,623,030	640,033	-	20,271,278
Library materials	2,253,757	26,900	2,999	-	2,277,658
Construction in progress	3,182,405	15,167,234	680	(1,423,833)	16,925,126
	125,390,887	17,806,146	643,712	-	142,553,321
Less accumulated depreciation					
Land improvements	712,226	145,096	-	-	857,322
Buildings and improvements	36,043,948	2,857,045	-	-	38,900,993
Infrastructure	1,382,311	331,786	-	-	1,714,097
Furniture, fixtures and equipment	14,437,945	1,333,770	633,417	-	15,138,298
Library materials	2,183,104	25,767	2,999	-	2,205,872
	54,759,534	4,693,464	636,416	-	58,816,582
Net capital assets	$ 70,631,353	$13,112,682	$ 7,296	$ -	$ 83,736,739

Note 5: Noncurrent Liabilities

The following is a summary of noncurrent obligation transactions for the University for the years ended June 30, 2009 and 2008:

	2009				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds					
Revenue bonds payable, Series 2005	$ 8,765,000	$ -	$ 550,000	$ 8,215,000	$ 575,000
Revenue bonds payable, Series 2007	21,000,000	-	365,000	20,635,000	375,000
Reoffering premium	118,427	-	7,174	111,253	-
Total bonds	29,883,427	-	922,174	28,961,253	950,000
Other noncurrent liabilities					
Accrued compensated absences	1,293,006	731,125	604,146	1,419,985	610,594
Deposits held in custody for others	102,756	78,859	34,927	146,688	-
Postemployment benefit obligation	167,000	248,180	274,839	140,341	79,300
Total other noncurrent liabilities	1,562,762	1,058,164	913,912	1,707,014	689,894
Total noncurrent liabilities	$31,446,189	$ 1,058,164	$ 1,836,086	$30,668,267	$ 1,639,894

	2008				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds					
Revenue bonds payable, Series 2005	$ 9,295,000	$ -	$ 530,000	$ 8,765,000	$ 550,000
Revenue bonds payable, Series 2007	-	21,000,000	-	21,000,000	365,000
Reoffering premium	81,083	44,518	7,174	118,427	-
Total bonds	9,376,083	21,044,518	537,174	29,883,427	915,000
Other noncurrent liabilities					
Accrued compensated absences	890,991	859,965	457,950	1,293,006	457,950
Deposits held in custody for others	107,313	100,027	104,584	102,756	-
Postemployment benefit obligation	-	249,158	82,158	167,000	82,158
Total other noncurrent liabilities	998,304	1,209,150	644,692	1,562,762	540,108
Total noncurrent liabilities	$10,374,387	$22,253,668	$ 1,181,866	$31,446,189	$ 1,455,108

Revenue Bonds Payable

On September 29, 2005, the University issued $9,800,000 of Auxiliary System Refunding Revenue Bonds, Series 2005. The bonds bear interest, payable semiannually, at rates between 3.00% to 4.10%. Principal maturities began June 1, 2007, and continue until 2021. Proceeds from the issuance of these bonds were used to pay the costs of refunding the Auxiliary System Revenue Bonds, Series 2000 and Series 2001, to fund the Debt Service Reserve Fund and to pay certain costs of issuance related to the Series 2005 bond issue. At the option of the University, bonds maturing on or after June 1, 2016, may be called for redemption prior to maturity on or after June 1, 2015, at 100% of principal plus accrued interest to the redemption date.

On July 1, 2007, the University issued $21,000,000 of Auxiliary System Subordinate Revenue Bonds, Series 2007. These bonds bear interest, payable semiannually, at rates of 4.0% to 5.125% beginning December 1, 2007. Principal maturities began June 1, 2009, and continue until 2037. Proceeds from issuance of the these bonds were used to finance the costs of the acquisition, construction, erection, equipping and furnishing of additions and renovations to the Auxiliary System (including a new 224-room student residence facility and the renovation of two other residence facilities), fund a Debt Service Reserve Fund and to pay the costs of issuing the bonds. At the option of the University, bonds

maturing on or after June 1, 2018, may be called for redemption prior to maturity on or after June 1, 2017, at 100% of principal plus accrued interest to the redemption date.

The revenue bond issues, payable from and secured by net revenues of the Auxiliary Activity Fund, require the University to establish and fund various Debt Service Reserve Funds.

Bond Defeasance

In prior years, the University defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. On June 30, 2009, $7,540,000 of bonds outstanding are considered defeased.

The debt service requirements as of June 30, 2009, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2010	$ 2,282,294	$ 950,000	$ 1,332,294
2011	2,283,131	985,000	1,298,131
2012	2,273,336	1,015,000	1,258,336
2013	2,267,121	1,050,000	1,217,121
2014	2,294,271	1,120,000	1,174,271
2015 - 2019	11,063,369	5,890,000	5,173,369
2020 - 2024	8,812,874	4,930,000	3,882,874
2025 - 2029	6,921,856	4,010,000	2,911,856
2030 - 2034	6,924,656	5,145,000	1,779,656
2035 - 2039	4,146,294	3,755,000	391,294
	$ 49,269,202	$ 28,850,000	$ 20,419,202

Note 6: Pension Plans

MOSERS

The University contributes to the Missouri State Employees' Retirement System (MOSERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the state of Missouri. Pension expense is recorded for the amount the University is contractually required to contribute for the year. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. State law assigns the authority to establish and amend benefit provisions to the plan's Board of Trustees, which is appointed by the Governor with the approval of the state legislature. The plan issues a publicly available financial report that includes

financial statements and required supplementary information for the plan. The report may be obtained by writing to the plan at P.O. Box 209, Jefferson City, Missouri 65102, or by calling 573.751.2342.

The authority to establish and amend requirements of members and the University is set forth in state law and is vested in the plan's Board of Trustees. Plan member contributions are not required nor permitted. The University is required to contribute at an actuarially determined rate; the rate was 12.53% and 12.84% of annual covered payroll for 2009 and 2008, respectively. The University's contributions to the plan for the years ended June 30, 2009, 2008 and 2007, were $2,246,526, $2,207,881 and $2,064,146, respectively, which equaled the required contributions for each year. The MOSERS funded status ratio was 85.9% and 86.8% as of June 30, 2008 and 2007, respectively.

The MOSERS funding policy provides for actuarially determined and Board approved, employer contributions using the entry-age normal cost method, consisting of normal cost and amortization of any unfunded accrued liabilities over an open 30-year period. Actuarially determined rates, expressed as percentages of annual covered payroll, provide for amounts sufficient to fund those benefits designated by state statute to be funded in advance. Any amendments to the plan are established by change in state statute.

CURP

Beginning July 1, 2002, all full-time faculty are enrolled in the College and University Retirement Plan (CURP) if they have not previously been enrolled in MOSERS. CURP is a noncontributory 401(a) defined contribution retirement plan that uses TIAA-CREF as its third-party administrator. CURP provides a retirement program that offers interstate portability, immediate vesting and no minimum service requirement. MOSERS has been given the responsibility by law to implement and oversee the administration of the plan. Contributions made by the University are self-directed by participants into their selected individual accounts. After participating in CURP for at least six years, a faculty member may elect to become a member of MOSERS.

The University is required to contribute at an actuarially determined rate; the rate was 7.88% and 7.87% of annual covered payroll for 2009 and 2008, respectively. The University's contributions to the plan for the years ended June 30, 2009, 2008 and 2007, were $211,265, $166,009 and $112,529, respectively, which equaled the required contributions for each year.

Note 7: Postemployment Health Care Plan

The University offers postretirement medical benefits to its retirees (and their dependents) who qualify for certain pension benefits. The Plan is funded on a pay-as-you-go basis and therefore, is not a funded plan. All participating retirees, except professors who have obtained emeritus status, are required to contribute the entire amount of the monthly premium, which is determined annually on a pooled basis for the University's healthcare plan. Premiums for retirees 64 years of age and under ranged from $555 to $1,800 during 2009 and $342 to $1,115 during 2008, depending on the coverage selected. Premiums for retirees over age 65 ranged from $190 to $447 during 2009 and $280 to $892 during 2008, depending on the coverage.

The University pays the full healthcare premium for professors who have attained emeritus status upon retirement. To be eligible an employee must hold professional rank and have served the University for at least 20 years. The University paid health insurance premiums for 23 professor emeritus, for 2009 and 2008. Health insurance premiums for these retirees totaled $79,300 and $82,158 in 2009 and 2008, respectively.

Retiree health coverage is available for each of the lifetimes of retirees and participating spouses. The plan is operated as a fully insured arrangement and benefits are provided through a POS Open Access structure. Currently, for retirees and spouses over age 65, the coverage is secondary to Medicare and retirees must be enrolled in Parts A and B.

Starting in January 2009, all Medicare retirees were required to enroll in separate fully insured Medicare Supplement and Part D Drug plans as part of a Lincoln University Retiree Group Plan. Therefore, the age-approximating premium for post 65 retirees will equal the carrier-charged premium since the rated group will be comprised solely of individuals of a similar age.

Also starting in 2009, the University began charging pre-65 retirees a contribution premium equal to a factor times the pooled premium rate. The pooled premium rate is the rate charged to the University based on the combined experience of all pre-Medicare participants including actives and pre-65 retirees. The factor applied to the pooled rate is based on the State of Missouri Health System's pre-65 retiree group rate relative to its active employee rate.

For the year ending June 30, 2008, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* reporting as a single-employer plan. GASB 45 requires recognition of expenses for postemployment benefits as services are performed, regardless of the timing of the related benefit payments. Application of GASB 45 has been made using a prospective recognition method.

The University's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation to the plan:

Normal cost	$ 74,245
Amortization payment	163,615
Interest on normal cost and amortization payment	11,298
Annual required contribution	249,158
Interest on net OPEB obligation	3,618
Less adjustment to the annual required contribution	4,596
Annual OPEB cost	248,180
Contributions made	274,839
Decrease in net OPEB obligation	26,659
Net OPEB obligation at June 30, 2008	167,000
Net OPEB obligation at June 30, 2009	$ 140,341

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2009 and 2008, was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$ 249,158	33.00%	$ 167,000
6/30/2009	$ 248,180	110.70%	$ 140,341

The funded status of the plan as of the actuarial valuation date is as follows:

Actuarial accrued liability	$ 2,711,406
Actuarial value of assets	-
Total unfunded actuarial liability	$ 2,711,406
Funded ratio	0.0%
Annual covered payroll	$ 16,177,687
Ratio of unfunded actuarial liability to covered payroll	16.8%

Actuarial valuations reflect a long-term perspective and involve estimates of the value reported amounts and assumptions about the probability of events far into the future. Actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. These calculations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. A Schedule of Funding Progress, presented as Required Supplementary Information, follows the notes to the financial statements. The Schedule of Funding Progress will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. As allowed by GASB, this reporting requirement is being implemented prospectively. Data is not available for prior years. The actuarial calculations have been based on the substantive plan in place at the time of valuation performed as of July 1, 2007, and on the pattern of cost sharing between the employers and members to that point.

The actuarial methods and assumptions utilized in the valuation were as follows:

Actuarial cost method	Projected Unit Credit
UAAL amortization method	Level Dollar Amount
UAAL amortization period, closed/open	30 years, open
Investment return (discount) rate	4.75%
Healthcare cost trend rate	8.5%, decreasing to 5.5% in 2014

Note 8: Commitments and Contingencies

Claims and Litigation

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the University. At June 30, 2009 and 2008, there was no accrual recorded in the statements of net assets.

Government Grants

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Cash and Investments

The University is a participant in the financial industry through its ongoing contractual arrangements with financial institutions such as investment banks, commercial banks and investment agreement providers. In the current financial environment, it is possible that a financial institution could have financial difficulty in the near term that could impact its ability to honor its contractual obligations, which could negatively impact the financial condition of the University.

Current Economic Conditions

The current economic environment presents colleges and universities with unprecedented circumstances and challenges, which in some cases may result in declines in enrollment revenues, government support and contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the University.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements, including allowances for student receivables, could change rapidly, resulting in material future adjustments. The University could experience difficulty meeting debt covenants or maintaining sufficient liquidity should significant changes occur.

Note 9: Governmental Grants and Contracts – Facility and Administration Costs

The University recovers facility and administration costs under certain grants and contracts with federal agencies, and these are recorded as operating revenue. Facility and administration costs rates vary according to the terms of the grant award or contract with most rates being based upon salaries and wages.

Note 10: Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation and natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The State of Missouri self-insures workers' compensation benefits for all state employees, including University employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

Note 11: Natural Classifications with Functional Classifications

For the years ended June 30, 2009 and 2008, the following table represents operating expenses with both natural and functional classifications:

	2009						
	Compensation and Benefits	Contractual Services	Travel	Supplies and Materials	Utilities	Other	Total
Instruction	$ 10,648,796	$ 662,396	$ 203,195	$ 330,682	$ 192	$ 214,289	$ 12,059,550
Research	3,510,930	1,135,321	180,885	610,575	153,427	146,908	5,738,046
Community service	2,932,024	664,603	246,108	186,003	46,349	261,706	4,336,793
Academic support	3,027,001	112,955	35,925	88,683	456	255,227	3,520,247
Student services	3,478,330	814,505	561,407	329,255	-	474,806	5,658,303
Institutional support	4,963,513	2,593,487	181,443	407,773	104,664	522,394	8,773,274
Operations and maintenance of plant	1,969,410	477,439	8,489	313,785	1,296,116	8,375	4,073,614
Scholarships and fellowships	-	-	-	-	-	-	393,652
Depreciation and amortization	-	-	-	-	-	-	5,000,709
	$ 30,530,004	$ 6,460,706	$ 1,417,452	$ 2,266,756	$ 1,601,204	$ 1,883,705	$ 49,554,188

	2008						
	Compensation and Benefits	Contractual Services	Travel	Supplies and Materials	Utilities	Other	Total
Instruction	$ 10,401,645	$ 642,067	$ 209,615	$ 340,167	$ (81)	$ 224,562	$ 11,817,975
Research	3,077,590	1,295,833	152,801	462,826	132,300	149,813	5,271,163
Community service	2,554,818	410,581	157,489	158,809	61,851	227,401	3,570,949
Academic support	2,751,308	140,821	28,331	78,502	834	227,939	3,227,735
Student services	3,183,825	804,816	558,109	410,118	-	509,671	5,466,539
Institutional support	4,970,515	2,288,104	194,991	310,306	107,763	607,759	8,479,438
Operations and maintenance of plant	1,843,752	432,637	9,389	295,806	1,236,519	13,435	3,831,538
Scholarships and fellowships	-	-	-	-	-	-	406,373
Depreciation and amortization	-	-	-	-	-	-	4,740,185
	$ 28,783,453	$ 6,014,859	$ 1,310,725	$ 2,056,534	$ 1,539,186	$ 1,960,580	$ 46,811,895

Note 12: Lincoln University Foundation, Inc.

Contributions

The Foundation reports gifts of cash and other assets as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as permanently restricted. When a donor's restriction expires (such as when a stipulated time restriction ends), temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Net assets are primarily released from donor restrictions when time restrictions are satisfied.

Pooled Cash and Investments

Cash resources of the individual funds are combined to form a pool of cash and temporary investments, which is managed by an investment committee of the Board. Investments of the pool consist of cash equivalents, equity funds and fixed income funds. Interest income and dividends earned, minus a management fee(s) are allocated to endowments based on their percentage of total balances invested during the period.

The Foundation maintains master investment accounts for its donor-restricted endowments. Net realized and unrealized gains and losses from securities in the master investment accounts are allocated annually to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Investments

Investments were composed of the following at June 30, 2009 and 2008:

	Cost	2009 Fair Value	Unrealized Gain (Loss)
Equity mutual funds	$ 3,436,864	$ 2,520,788	$ (916,076)
Fixed income mutual funds	1,191,482	1,200,728	9,246
Total investments	$ 4,628,346	3,721,516	$ (906,830)
Add accrued dividends/interest		7,956	
Total investments		$ 3,729,472	

	Cost	2008 Fair Value	Unrealized Gain
Equity mutual funds	$ 3,436,864	$ 3,610,793	$ 173,929
Fixed income mutual funds	1,021,118	1,030,551	9,433
Total investments	$ 4,457,982	4,641,344	$ 183,362
Add accrued dividends/interest		5,058	
Total investments		$ 4,646,402	

Restrictions on Net Assets

Net assets released from restrictions during 2009 and 2008 were comprised of the following:

	2009	2008
Special purpose funds	$ 377,066	$ 229,579
Scholarships provided	254,016	302,851
	$ 631,082	$ 532,430

Temporarily restricted net assets at June 30, 2009 and 2008, are available for the following purposes:

	2009	2008
Available for future periods – special purpose	$ 826,158	$ 649,665
Available for scholarships	762,069	1,689,405
	$ 1,588,227	$ 2,339,070

Permanently restricted net assets consisted of the following at June 30, 2009 and 2008:

	2009	2008
Endowments	$ 3,327,224	$ 3,442,645

Contractual Obligations

The Lincoln University Foundation, Inc. has undertaken the following project: Soldiers' Memorial Plaza Project as of September 21, 2006. The details of projected costs and projected funding of this project are as follows:

	Projected Costs
Sculptor fees	$ 560,000
Architect fees	117,330
Contractor	793,483
Fundraising materials and fundraising activities expenses	114,187
Total projected costs of Soldiers' Memorial Plaza Project	$ 1,585,000
Funding sources	
Donations – cash	$ 900,000
Donations – pledges receivable	43,257
Financing secured	552,063
Potential grants, donations or additional financing (to be obtained)	89,680
Total projected funding sources	$ 1,585,000

A resolution was adopted on September 21, 2006, by a majority vote of the Board of Directors, authorizing the Foundation to obtain interim financing at Central Bank of Jefferson City, Missouri. During the year 2007, the Foundation borrowed $640,000 from Central Bank of Jefferson City, Missouri. The interest rate is 4.50%, with interest payable monthly. The principal will mature on March 3, 2010. At June 30, 2009 and 2008, the principal balance due on this loan was $404,177 and $552,063, respectively. The Foundation has pledged certain investments, excluding the permanently restricted corpus amount and the future earnings of investments, as collateral to the Central Trust Bank for this loan.

Required Supplementary Information

Lincoln University
A Component Unit of the State of Missouri
Required Supplementary Information
Schedule of Prior Year Funding Progress
June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	$ -	$ 2,711,406	$ 2,711,406	0%	$ 16,177,687	16.8%

Supplementary Information

Lincoln University
A Component Unit of the State of Missouri
Auxiliary Activity Fund
Schedules of Revenues and Expenses
Years Ended June 30, 2009 and 2008

	2009					
	Dormitories	Cafeteria	Bookstore	Vending and Other	Student Union	Total
Revenues						
Dormitory contracts	$ 2,466,685	$ -	$ -	$ -	$ -	$ 2,466,685
Housing system fee	721,631	-	-	-	-	721,631
Food service	-	1,618,466	-	-	-	1,618,466
Bookstore	-	-	141,139	-	-	141,139
Other	-	-	-	27,981	-	27,981
Vending	-	-	-	38,828	-	38,828
	3,188,316	1,618,466	141,139	66,809	-	5,014,730
Direct Expenses						
Salaries and wages	558,288	-	-	85,749	154,621	798,658
Fringe benefits	214,422	-	-	27,539	58,549	300,510
Equipment purchases	6,475	-	-	1,915	12,991	21,381
Contractual services	144,342	1,123,270	116	11,046	32,997	1,311,771
Travel	8,664	2,678	-	209	1,479	13,030
Supplies, cost of sales	129,130	1,856	217	2,826	15,311	149,340
Communications	10,612	(4,891)	(5,131)	2,255	10,944	13,789
Utilities	527,537	-	-	-	192	527,729
Other operating	215,837	1,949	735	1,140	982	220,643
	1,815,307	1,124,862	(4,063)	132,679	288,066	3,356,851
Excess (Deficiency) of Revenues Over Direct Expenses	$ 1,373,009	$ 493,604	$ 145,202	$ (65,870)	$(288,066)	1,657,879
Indirect Expenses						
Bad debts						33,150
Audit						10,000
Revenue bond trustee fees						7,915
Custodial services						353,150
						404,215
Other Income						
Interest income						94,354
Excess of Revenues Over Expenses						1,348,018
Mandatory Transfer for Principal and Interest on Indebtedness						(2,279,494)
Transfer In						825,000
Net Increase (Decrease) for the Year						(106,476)
Net Assets, Beginning of Year						2,008,482
Net Assets, End of Year						$ 1,902,006

2008					
Dormitories	Cafeteria	Bookstore	Vending and Other	Student Union	Total
$ 2,009,357	$ -	$ -	$ -	$ -	$ 2,009,357
731,125	-	-	-	-	731,125
-	1,541,430	-	-	-	1,541,430
-	-	136,399	-	-	136,399
-	-	-	17,025	-	17,025
-	-	-	39,910	-	39,910
2,740,482	1,541,430	136,399	56,935	-	4,475,246
430,545	-	-	80,883	167,192	678,620
178,573	-	-	26,792	49,125	254,490
12,444	-	-	12,004	2,038	26,486
88,600	1,111,219	693	7,894	12,247	1,220,653
8,037	3,059	-	1,612	329	13,037
75,477	1,344	-	4,370	25,386	106,577
7,886	4,843	1,549	1,946	11,429	27,653
463,167	-	-	-	-	463,167
189,138	6,538	479	1,684	1,340	199,179
1,453,867	1,127,003	2,721	137,185	269,086	2,989,862
$ 1,286,615	$ 414,427	$ 133,678	$ (80,250)	$ (269,086)	1,485,384
					31,608
					7,000
					6,740
					322,081
					367,429
					452,257
					1,570,212
					(867,346)
					550,000
					1,252,866
					755,616
					$ 2,008,482

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Cluster/Program	Federal Agency/ Pass-Through Entity
Student Financial Aid	
Federal Pell Grant Program (07-08)	U.S. Department of Education
Federal Pell Grant Program (08-09)	U.S. Department of Education
Federal Pell Administrative Cost Allowance	U.S. Department of Education
Federal Workstudy Program (07-08)	U.S. Department of Education
Federal Workstudy Program (08-09)	U.S. Department of Education
FWS/FSEOG/Administrative Cost Allowance	U.S. Department of Education
Federal Supplemental Educational Opportunity Grant (08-09)	U.S. Department of Education
Federal Family Education Loan Program	U.S. Department of Education
Academic Competitiveness Grants (07-08)	U.S. Department of Education
Academic Competitiveness Grants (08-09)	U.S. Department of Education
National Science and Mathematics Access to Retain Talent (SMART) Grants (08-09)	U.S. Department of Education
Research and Development	
Cooperative Research, Education and Extension Service	U.S. Department of Agriculture
Enhancing Teaching thru Computer Literacy for Information Providers and Small Farmers	U.S. Department of Agriculture
Center for Agriculture/Environmental Experimental Learning	U.S. Department of Agriculture
Personal Response System	U.S. Department of Agriculture
Reducing Arsenic Uptake by Domestic Rice	U.S. Department of Agriculture
Using Experiential Learning in Natural Resources to Mentor Students' Professional Development	U.S. Department of Agriculture
Nano-Biotechnology	U.S. Department of Agriculture
Natural Herbs as De-Wormers	U.S. Department of Agriculture/ University of Minnesota
Water Resource Education, Extension & Research	U.S. Department of Agriculture/ Tennessee State University
Establish Office of Research & Development	U.S. Department of Health and Human Services/National Institutes of Health
Double Dutch and Obesity Reduction Project	U.S. Department of Health and Human Services/OPHS/RHA
U.S. - Nigeria Collaboration at Lake Chad	National Science Foundation/ University of Missouri
Center of Excellence for Environmental Science	U.S. Army Research Laboratory
Warfighter Research in Mine Detection	U.S. Army Research Laboratory
Suicide Prevention	U.S. Army Research Laboratory
Department of Defense Umbrella	U.S. Army Research Laboratory

CFDA Number	Grant or Identifying Number	Amount Expended
84.063	E-P063P071741	$ 1,330
84.063	E-P063P081741	4,433,673
84.063		7,000
84.033	E-P033A072336	27,259
84.033	E-P033A082336	146,067
84.033		10,172
84.007	E-P007A082336	105,004
84.032		13,240,449
84.375	P375A071741	(375)
84.375	P375A081741	21,475
84.376	P376S081741	43,250
		18,035,304
10.205	CREN08911	3,393,336
10.216	00-38820-9510	25,438
10.216	2006-38820-17589	62,488
10.216	2007-38820-18500	22,245
10.216	2008-38814-04727	28,514
10.216	2008-38820-04783	24,865
10.216	2008-38820-04793	7,521
10.215	2007-38640-18363	25,217
10.303	2005-51130-02367	8,354
93.865	1G11 HDO 52363-01	82,450
None	HHSP233200800752P	3,814
47.079		3,096
12.431	W911-NF-05-2-0003	488,952
12.431	W911-NF-06-2-0028	219,863
12.431	W911-NF-06-2-0036	68,249
12.431	W911-NF-07-2-0053	811,266

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Cluster/Program	Federal Agency/ Pass-Through Entity
Research and Development (Continued)	
Joint CBRN Institute Academic Review & Analysis	U.S. Army Research Laboratory/ Concurrent Technologies Corporation
Landmine Surface Signatures	U.S. Department of Defense/Carnegie Mellon
Test/Evaluation & Science/Technology	U.S. Department of Defense
Laser-Based Ultrasound Detection of Unexploded Ordinance	U.S. Department of Defense/ Leonard Wood Institute
Develop Training Tool for the Identification of PTSD in Peers	U.S. Department of Defense/ Leonard Wood Institute
Non-Lethal Weapons Use in Crowds	U.S. Department of Defense/ Leonard Wood Institute
Landmine Detection Research Program	U.S. Department of Defense/ Leonard Wood Institute
Plant Growth Experiment	National Science Foundation/ Missouri Institute of Science & Technology
Cooperative Extension	
Cooperative Extension Programs	U.S. Department of Agriculture
Satellite & Off-Campus Enhancement & Expansion	U.S. Department of Agriculture
RREA – Renewable Resource Extension Account	U.S. Department of Agriculture
EFNEP – Expanded Food Nutritional Program	U.S. Department of Agriculture
Extension for Meat Goat Industry	U.S. Department of Agriculture/ University of Nebraska
Sustainable Agriculture Professional	U.S. Department of Agriculture/ University of Minnesota
Vegetable Grafting Training for Agricultural Professionals	U.S. Department of Agriculture/ University of Minnesota
Higher Education Institutional Aid (Endowment Fund)	U.S. Department of Education
Higher Education Institutional Aid	U.S. Department of Education
Higher Education Institutional Aid	U.S. Department of Education
Higher Education Institutional Aid	U.S. Department of Education
Wildlife Services	U.S. Department of Agriculture
Soil and Water Conservation	U.S. Department of Agriculture

CFDA Number	Grant or Identifying Number	Amount Expended
12.431	W911NF-07-2-0062	$ 25,714
12.431	W911NF-07-2-0062	86,499
12.431	W9124Q-08-C-0717	61,060
12.431	W911NF-07-2-0062	60,895
12.431	W911NF-07-2-0063	544,832
12.431	W911NF-07-2-0064	47,322
12.431	W911NF-07-2-0065	255,475
47.041	NSF ECCS-0644679	869
		6,358,334
10.500	EF4408911	1,725,600
10.500	2003-45200-01765	278,909
10.500	4600008911	12,875
10.500		53,725
10.500	4-98-2-23	4,375
10.500	H408905213	211
10.500	2008-47001-04671	330
		2,076,025
84.031B		717,461
84.031B	P031B040023-5	725,508
84.031B	P031B070025	1,852,920
84.031B	P031B085025	416,925
		3,712,814
10.028	06-7100-0025-CA	34,142
10.902	NRCS 68-3A75-6-160	(310)

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Cluster/Program	Federal Agency/ Pass-Through Entity
International Training – Foreign Participant	
Farmer to Farmer Program	U.S. Department of Agriculture/U.S. Agency for International Development
Albania: Bio-Technology	U.S. Department of Agriculture/Cochran Fellowship
Residue Analysis & Training	U.S. Department of Agriculture/Cochran Fellowship
Armenia & Kazakhstan, Animal Health	U.S. Department of Agriculture/Cochran Fellowship
Food Regulatory Systems	U.S. Department of Agriculture/Cochran Fellowship
Philippines - Human Nutrition	U.S. Department of Agriculture/Cochran Fellowship
Albania - Food Safety	U.S. Department of Agriculture/Cochran Fellowship
Turkey - Food Safety	U.S. Department of Agriculture/Cochran Fellowship
Animal Health & Risk Analysis	U.S. Department of Agriculture/Cochran Fellowship
Financial Packaging Analysis Services	U.S. Department of Agriculture/Cochran Fellowship
Azerbaijan Food Safety	U.S. Department of Agriculture/Cochran Fellowship
Trio Student Support Services	U.S. Department of Education
Improving Teacher Quality State Grants	U.S. Department of Education/Missouri Department of Higher Education
Improving Teacher Quality State Grants	U.S. Department of Education/Missouri Department of Higher Education
Improving Teacher Quality State Grants	U.S. Department of Education/Missouri Department of Higher Education
Highway Planning and Construction	U.S. Department of Transportation
Historic Preservation Fund Grants-in-Aid	U.S. Department of the Interior
University Reactor Infrastructure and Education Support	U.S. Department of Energy/University of Southern California/Missouri Institute of Science & Technology
IREX Cultural Exchange Services	U.S. Department of State/IREX

CFDA Number	Grant or Identifying Number	Amount Expended
10.962		$ 90
10.962	58-3148-5-081	1
10.962	58-3148-5-080	1
10.962	58-3148-5-080	9
10.962	58-3148-5-080	3,977
10.962	58-3148-5-080	13,685
10.962	58-3148-5-080	12,268
10.962	58-3148-5-080	13,961
10.962	58-3148-5-080	17,587
10.962	58-3148-9-029	49,491
10.962	58-3148-5-080	13,186
		124,256
84.042A	P042A051275	315,425
84.367B		30,432
84.367B		117,912
84.367B		55,541
		203,885
20.205	STP-3100(515)	322,642
15.904	29-05-HB-15210	144,109
81.114	DE-FG07-05ID14692	4,847
None	S-ECAAE-08-CA-033	2,614
		$ 31,334,087

Lincoln University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Notes to Schedule

1. This schedule includes the federal awards activity of Lincoln University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Universities*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Lincoln University provided no federal awards to subrecipients during the year.

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Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Curators
Lincoln University
Jefferson City, Missouri

We have audited the financial statements of Lincoln University as of and for the year ended June 30, 2009, and have issued our report thereon dated November 4, 2009, which contained a reference to the report of other accountants and an explanatory paragraph regarding a change in accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other accountants audited the financial statements of Lincoln University Foundation, Inc., as described in our report on the University's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants. The financial statements of Lincoln University Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 09-1 to be a significant deficiency in internal control over financial reporting.

Board of Curators
Lincoln University

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body, management and others within the University and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 4, 2009

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Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs

Board of Curators
Lincoln University
Jefferson City, Missouri

Compliance

We have audited the compliance of Lincoln University with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the University's management. Our responsibility is to express an opinion on the compliance of Lincoln University based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, Lincoln University complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Lincoln University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Board of Curators
Lincoln University

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 4, 2009

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Summary of Auditor's Results

1. The opinion expressed in the independent accountants' report was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☒ Yes ☐ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? ☒ Yes ☐ No

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Aid Cluster	Various

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $940,023.

9. The University qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☒ Yes ☐ No

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
09-1	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting. Condition – The University's financial statements required adjusting journal entries for financial statement presentation in accordance with accounting principles generally accepted in the United States. Areas in which adjustments were proposed and recorded include: Allowance for doubtful accounts Capital assets Accounts payable Expenses Context – Timely and accurate account reconciliations and review of general ledger details are critical to identify necessary adjustments. Effect – Adjusting journal entries were proposed. Cause – The general ledger accounts and subsidiary ledgers used to prepare the internal financial statements were not properly reconciled and necessary adjustments were not made. Recommendation – Management should modify the year-end closing procedures and revise policies to ensure the controls in place are sufficient to assure all accounts and financial statements are prepared in accordance with accounting principles generally accepted in the United States. Views of Responsible Officials and Planned Corrective Actions – We concur with the finding and recommendation. The Controller's Office has had several staffing changes affecting reconciliations and completion of adjusting entries. The year-end procedures have been reviewed to ensure all necessary adjusting entries are completed prior to audit fieldwork.	None

Lincoln University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Lincoln University
A Component Unit of the State of Missouri
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

Reference Number	Summary of Finding	Status
	No matters are reportable.	